

Table 1
Lafayette Metropolitan Area Recent Economic Performance

	Performance	Rank in State (of 11 metro areas excluding Indianapolis)
Population Growth, 1990-2000	13.2%	2
Payroll Employment Growth, Sept. 1995-Sept. 2001	6.0%	1
Unemployment Rate, Sept. 2001	2.9%	1
Commute Ratio, number commuting in divided by number commuting out	5.1 to 1	1
Growth Rate of Employment in Services Industries, Sept. 1996 to Sept. 2001	10.5%	3

Source: U.S. Bureau of Labor Statistics, U.S. Bureau of the Census and STATS Indiana.

Population Growth. With a 13.2 percent growth rate from 1990 to the 2000 census, the Lafayette metro area, which encompasses Tippecanoe and Clinton counties, was the second fastest growing metro area in the state outside Indianapolis. It was only edged out by Elkhart at 17 percent. Total population in the metro area was 182,821 at the 2000 census.

Job Growth. From September 1995 to September 2001, the Lafayette area added 4,500 jobs, an increase of 6 percent. That was the highest percent increase of any metro area other than Indianapolis.

Unemployment Rate. In September 2001, the Lafayette metro area had the lowest unemployment rate in the state, at 2.9 percent. Outside Indianapolis, only Bloomington can rival Lafayette for low unemployment.

Commute Ratio. The ratio of the number of commuters into an area compared to the number out of the area is an indicator of economic attractiveness and economic independence. Some suburban counties, for example, send many more commuters out to the nearby city than they attract. Tippecanoe County, however, had a ratio of five to one in 1999 (the most recent data available). That means five times more people commuted *into* the county than commuted out. Apart from Marion County, at 6.1, Tippecanoe had the highest commute ratio in Indiana.

Growth in Services Industries. All over Indiana, manufacturing has dominated the economic mix. But a more diverse economy helps protect against the unemployment and loss of revenue that recessions bring. Services industries, therefore—especially health care, business services and management services—have been a focus for

economic development. From September 1996 to September 2001, employment in services industries in the Lafayette metro area grew 10.5 percent. Not counting Indianapolis, that figure puts Lafayette in a tie for third place with South Bend-Mishawaka. Bloomington, with a 25.6 percent increase, and Gary-Hammond, up 15 percent, led the non-Indianapolis areas.

The economic vitality the Lafayette metro area displays places it in a strong position entering the recession of 2001-2002. While manufacturing activity slowed first in this recession, Lafayette has only 23 percent of its employment in that sector, one of the lowest levels in the state. With nearly 20 percent of its employment in services industries, the Lafayette metro area is not likely to see the high unemployment rates that will visit those counties dependent on the U.S. automobile-maker business.

Unemployment probably will peak between 5 and 6 percent in Lafayette in 2002, but will decline quickly as the country's recovery picks up steam in the second half of the year. With good weather, a strong construction sector will help keep that rate down. And as service and retail businesses expand, the Lafayette area should continue to attract a big share of that expansion.

Muncie

James C. Smith

Director, Indiana Business Research Center,
 Department of Business Economics and Public
 Policy, Kelley School of Business, Indiana University,
 Bloomington and Indianapolis

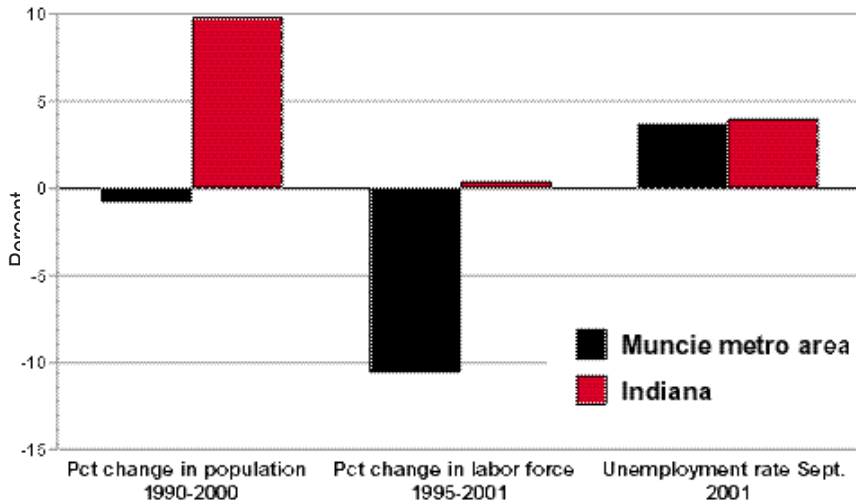
Sometimes circumstances can turn a weakness into a strength. Muncie's weakness is that despite all the economic virtues the area can claim, Muncie cannot seem to attract new residents. The Muncie MSA, which includes all of Delaware County, was the only metro area in Indiana to post a net loss in population in the 2000 census.

From 1990 to 2000, the population of Muncie and Delaware County declined by 890 people, to 118,769. That is a 0.7 percent drop, and it allowed

the Bloomington metro area to pass Muncie in size to become the 10th largest metro area in the state. Muncie is now 11th out of 12 (Kokomo is the smallest).

The population shrinkage has been a feature of the Muncie and Delaware County economy for many years, as new residents continue to move into other parts of the state. Indiana's population grew 9.7 percent over the past decade, while Muncie's contracted.

Figure 1
Shrinking Labor Force Keeps Unemployment Low in Muncie Area



Source: U.S. Bureau of Labor Statistics, U.S. Bureau of the Census

During the boom years of the 1990s, labor shortages were common. In Muncie and Delaware County, the shortages were especially intense, owing to the lack of growth in the area's labor force. A consequence of the shortages was an unusually low rate of unemployment (see **Figure 1**). The unemployment rate in Delaware County dropped to a low of 2 percent in October 2000. By the third quarter of 2001, as the U.S. economy slowed, the unemployment rate in Muncie and Delaware County only climbed as far as 4 percent. Neighboring Henry County was at 4.4 percent in the third quarter, and Grant County had hit 6.6 percent.

In 2002, a tight labor market along with a favorable economic mix will continue to shield Muncie and Delaware County from the worst of the national recession. More large factories may announce layoffs, but the unemployment rate is not likely to reach more than 6 percent. Expansion or at least stability in sectors such as health services, business services (temporary help, data processing) and professional services (engineering, accounting) will tide the area's economy over until the national recovery begins later in 2002.

The only question is: When prosperity begins to rise again, can Muncie and Delaware County begin to attract more of it?

Viewed in purely regional economic terms, Muncie and Delaware County have several virtues. The economic mix is well diversified. Manufacturing, while a prominent part of the area's economy, accounts for only 15 percent of total employment. And within the manufacturing sector there is a good mix of major corporations' plants and successful locally-owned factories. Employment in the services industries has grown strongly compared to other parts of the state, up 18 percent since 1995. A major university campus lies just a few blocks from downtown Muncie, and on the north side of town is a modern, well-equipped airport.

As recession spreads across the United States, however, the declining head count in Muncie and Delaware County becomes a benefit, in the following sense.